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June 30, 2008

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 Twelfth Street, SW
Room TWB-204
Washington, DC 20554

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Re: Implementation of the Pay Telephone Reclassification and Compensation
Provisions of the Telecommunications Act of 1996, CC Docket No. 96-128
Independent Auditor's System Report for Payphone Compensation (Renewal)
Statement of Contact Information for Payphone Compensation Issues

Dear Ms. Dortch:

On behalf of the Embarq local exchange carriers identified on Exhibit A of the enclosed report, Embarq Management Company submits its 2007 Independent Auditor's System Report for Payphone Compensation. Embarq files this report pursuant to 47 C.F.R. §§ 64.1320(b) and (f).

Also, pursuant to 47 C.F.R. § 64.1320(e), Embarq submits the following statement identifying the person responsible for handling compensation inquiries from payphone service providers. Embarq's contact information is unchanged from 2006.

Embarq Payphone Compensation
Attn: Robin W. Latimer
Mailstop - KSOPKB0502 - 5604
9300 Metcalf Avenue
Overland Park, KS 66212
Tel: 913-534-5284
Robin.Latimer@embarq.com

This filing is made in compliance with the Commission's Report and Order (FCC 03-325), released October 3, 2003.

Respectfully submitted,

John E. Benedict



GSAssociates, LLC.

Business Partners and Certified Public Accountants



**Independent Auditor's System Report
For Payphone Compensation
As required by FCC Order 03-235
Docket No. 96-128**



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Independent Auditor's Report
System Audit Report

Board of Directors
Embarq Corporation

At the request of Embarq Management Company, on behalf of the local exchange companies identified on Exhibit A that are doing business as "Embarq" (hereinafter collectively referred to as "Embarq"), which are all wholly-owned subsidiaries of Embarq Corporation, we have examined the call tracking systems of Embarq for payphone calls in compliance with FCC Order 03-235, Docket No 96-128, for the period Q4 2007. Embarq management is responsible for compliance with those requirements. Our responsibility is to express an opinion on Embarq compliance based on our examination.

Our examination included procedures to obtain reasonable assurance about whether the controls included in our audit were suitably designed to achieve the control objectives – namely, that the call tracking system of Embarq accurately tracks payphone calls to completion and that Embarq satisfactorily complied with and applied these controls and such controls will be placed in operation consistently in the future.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Embarq compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Embarq compliance with specified requirements.

In our opinion, Embarq complied, in all material respects, with the aforementioned requirements for the period mentioned through December 31, 2007. Embarq has sufficient controls in place to provide reasonable assurance to achieve the control objectives namely that the Embarq call tracking system accurately tracks payphone calls to completion.

The description of policies & procedures concerning Payphone Compensation at Embarq as of December 31, 2007, as well as information concerning tests of the operating effectiveness and payments made includes the period of Q4 2007. Future projection of such information is subject to the inherent risk that, because of change, the description may no longer portray those procedures in existence. The potential effectiveness of specific controls at Embarq is subject to inherent limitations and, accordingly, errors or fraud may occur and not be detected. Furthermore, the projection of any conclusions, based on our findings, to future periods is subject to the risk that, (1) changes made to the system or controls, (2) changes in processing requirements, or (3) changes required because of the passage of time may alter the validity of such conclusions.

This report is intended solely for the information and use of Embarq, and is not intended to be and should not be used by anyone other than the specified party.

GSAssociates, CPAs

GSAssociates
June 24, 2008



Overview of System Audit Requirements

This System Audit Report covers FCC Order (03-235, Docket No 96-128), effective July 1, 2004 (the "Order"), requiring Interexchange Carriers (IXC's), LEC's, CLEC's and Switch Based Resellers (herein collectively or individually referred to as a "Carrier"), to establish and maintain a comprehensive Call Tracking System (CTS) which accurately reports and compensates Payphone Service Providers (PSP's).

The Order calls for an independent third party audit report in conformity with AICPA standards. The independent auditor's report shall conclude whether the CARRIER complied, in all material respects, with the factors set forth (below) regarding the CTS as follows:

- 1) Whether the Carrier's procedures accurately reflect the Commission's rules, including the attestation reporting requirements.
- 2) Whether the Carrier has a person or persons responsible for tracking, compensating, and resolving disputes concerning payphone completed calls.
- 3) Whether the Carrier has effective data monitoring procedures.
- 4) Whether the Carrier adheres to established protocols to ensure that any software, personnel, or any other network changes do not adversely affect its payphone call tracking ability.
- 5) Whether the Carrier has created a compensable payphone call file by matching call detail records against payphone identifiers.
- 6) Whether the Carrier has procedures to incorporate call data into required reports.
- 7) Whether the Carrier has implemented procedures and controls needed to resolve disputes.
- 8) Whether the independent third-party auditor can test all critical controls and procedures to verify that errors are insubstantial.
- 9) Whether the Carrier's have adequate and effective business rules for implementing and paying payphone compensation.



Audit Process & Procedures

Our audit reports on all nine (9) points listed in the Order. The guidelines used to conduct and prepare the report are established in the AICPA's Statements on Standards for Attestation Engagements (SSAE), specifically, SSAE 10, AT Section 101 Attest Engagements and AT Section 601 Compliance Attestation.

Those standards required that we:

- 1) Have adequate technical training and proficiency in the attest function.
- 2) Perform the attest function using practitioners having adequate knowledge of the subject matter.
- 3) Evaluate the subject matter against suitable criteria such as:
 - a) *Objectivity* – free of bias
 - b) *Measurability* – reasonable consistent measurements, qualitative or quantitative, of subject matter.
 - c) *Completeness* – sufficiently complete so that relevant factors that would alter a conclusion about subject matter are not omitted.
 - d) *Relevance* – criteria relevant to the subject matter.
- 4) Maintain an Independence mental attitude in all matters relating to the engagement.
- 5) Exercise Due professional care in the planning and performance of the engagement.
- 6) Obtain sufficient evidence to provide reasonable basis for our conclusion expressed in the report.

Embarq has designed and implemented an in house tracking and compensation system, solely for the purpose of calculating and remitting payphone compensation. This audit focuses on Q4 2007 which is the latest quarter that Embarq has remitted compensation for.



PAYPHONE COMPENSATION Policies & Procedures

Embarq has established and documented policies & procedures specifically in compliance with the Dial Around Compensation FCC order. These include, but are not limited to:

1. Backup Policy
2. Core Security / Critical Data Requirements Policy
3. Defect Tracking Process
4. Software Quality Testing Process
5. Change Control Policy
6. Host / Server Security Policy
7. Password Policy
8. Log Tracking & Archive Process
9. Physical Security Policy
10. Information Access Control Policy
11. Monitoring Policy
12. Firewall Policy

GSAssociates verified with Joe Mack - IT Manager, that these policies are still in effect and that no material change had occurred in 2007.

Responsible Dedicated Staff

Embarq has dedicated staff responsible for tracking, compensating, reporting and resolving disputes concerning completed calls as follows:

1. Joe Mack, Information Technology is responsible for drafting necessary business requirements.
2. Joe Mack, Information Technology is responsible for developing & maintaining systems to create payphone call records from switch records.
3. Robin Latimer, Manager, is responsible for implementing & maintaining procedures that check the validity of identified payphone records.
4. Robin Latimer, Manager, is responsible for implementing & maintaining procedures that create final compensation data sets.
5. Robin Latimer, Manager, is responsible for developing compensation tracking reports.
6. Robin Latimer, Manager, is responsible for dispute resolutions.



Data Monitoring Procedures

Embarq has developed a systematic reporting process to generate monthly and quarterly reports on payphone call counts, PSP identities, numbers called, and info digits used.

These reports reflect:

- a) Trends of switch traffic volumes entering their payphone compensation systems.
- b) Possible fraud on potential illegitimate payphone calls.
- c) Trends of excluded calls.
- d) The capability to develop customized reports to help resolve disputes.
- e) Capacity for other appropriate trending reports.

GSAssociates has reviewed and documented these reports as valid and functional. Through interviews with Joe Mack and Robin Latimer, GSA verified that these reports are relevant and monitored.

Compensation Assurance Protocols

Embarq has established procedures which guarantee that the company will remain in compliance with current FCC requirements. These procedures ensure that software, personnel, or any other network changes or additions to the payphone compensation process are done in accordance with guidelines and approvals documented in aforementioned procedure section and do not adversely affect its call tracking capabilities.

GSAssociates has reviewed these procedures with the client and finds them adequate and comprehensive. GSA conducted interviews with Joe Mack, the responsible party for software assurance. He verified that there were no changes to the program code, stored procedures or report systems for the call tracking system or payphone compensation system to date.

Compensable Call File and Reporting

Embarq pulls all data directly from Company CDR and prepares online reports for utilization in the compensation process.

GSAssociates determined that this file contained all the necessary data to perform the ANI match and to prepare detailed reports for compensation to each separate PSP or Aggregator. Joe Mack, the responsible party, verified that there were no issues with the compensation engine or changes that were made to the program code or stored procedures.



Dispute Resolution Procedures

Embarq has assigned its representative, Robin Latimer, as the individual responsible for processing payments to PSP's and aggregators and for managing the in house payphone compensation system.

GSAssociates has determined that the responsible party is knowledgeable and more than capable of successfully completing this function for Embarq. In interviews with Robin Latimer regarding disputes, she stated that during 2007 there were no recorded disputes. One inquiry was made by a PSP for additional information, and Embarq provided the requested information to the PSP in a timely manner.

Compensation Verification

GSAssociates has determined that Embarq has properly compensated PSP's through the 4th Quarter of 2007.

GSAssociates interviewed Robin Latimer the responsible party for this process. She verified that no changes had occurred to the process in 2007 and that no errors in processing of payments had occurred.



Audit Conclusions

FCC Relevant Rules Accurately Stated

Embarq has established, defined, and documented in accordance with relevant FCC Rules each of the following:

- Per-call rate.
- Per-phone requirements.
- Calls included as compensable calls
- Definition of completed call.
- Reporting requirements.
- Data Storage Requirements.

Established Security Protocols

Embarq has implemented security protocols to limit access to call tracking systems in a controlled environment to authorized personnel.

Monitoring tracking systems have been installed to limit access to the company's call tracking system.

Access to compensation systems is controlled and monitored as well as limited to authorized personnel through security measures which have been implemented.

Audit Findings

Embarq is a LEC which began operations effective May 17, 2006, previously it operated as subsidiary of Sprint Corporation with its local companies operating as the Sprint Local Telecommunications Division. GSAssociates has documented that the compensation system in use as of the date of this report is effective and complete and has validated payments made through Q4 of 2007. The Company is in compliance for the period audited and compensation has been appropriately made to the PSP's or Aggregators for the period.



Exhibit A

Embarq Local Exchange Companies

Embarq Missouri, Inc., a Missouri corporation d/b/a **Embarq**
Embarq Florida, Inc., a Florida corporation d/b/a **Embarq**
Embarq Minnesota, Inc., a Minnesota corporation d/b/a **Embarq**

United Telephone Company of Kansas, a Kansas corporation d/b/a **Embarq**
United Telephone Company of Southcentral Kansas, an Arkansas corp. d/b/a **Embarq**
United Telephone Company of Eastern Kansas, a Delaware corporation d/b/a **Embarq**
United Telephone Company of Indiana, Inc., an Indiana corporation d/b/a **Embarq**
United Telephone Company of New Jersey, Inc., a New Jersey corp. d/b/a **Embarq**
United Telephone Company of Ohio, an Ohio corporation d/b/a **Embarq**
United Telephone Company of Texas, Inc., a Texas corporation d/b/a **Embarq**
United Telephone Company of the Carolinas LLC, a South Carolina corp. d/b/a **Embarq**
United Telephone Company of the West, a Delaware corporation d/b/a **Embarq**
United Telephone Company of the Northwest, an Oregon corporation d/b/a **Embarq**
United Telephone Southeast LLC, a Virginia corporation d/b/a **Embarq**
The United Telephone Company of Pennsylvania LLC, a PA corp. d/b/a **Embarq**
Pennsylvania

Central Telephone Company of Virginia, a Virginia corporation d/b/a **Embarq**
Central Telephone Company of Texas, a Texas corporation d/b/a **Embarq**
Central Telephone Company, a Delaware corporation d/b/a **Embarq**

Carolina Telephone and Telegraph LLC, a North Carolina corp. d/b/a **Embarq**



Report of Management on Compliance with Applicable Requirements of Section 64.1310(a)(1) of the FCC's Rules and Regulations

The management of those local exchange telephone companies identified on Exhibit A, which are doing business as "Embarq" (hereinafter collectively referred to as "Embarq") is responsible for establishing and maintaining adequate systems and processes for its Pay Telephone Call Tracking System and for ensuring the Company's compliance with the applicable requirements of Section 64.1310(a)(1) of the FCC Report and Order in CC Docket No. 96-128, released on October 3, 2003, regarding *The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*.

Management has performed an evaluation of the company's compliance with the applicable requirements of CC Docket No. 96-128 using the criteria in 64.1320(c) as the framework for the evaluation. Based on this evaluation, we assert that as of July 1, 2004, the Company complies with all applicable requirements of CC Docket No. 96-128.

We have prepared the required assertion statements relating to the Embarq Payphone Call Tracking Systems.

Embarq is acknowledged as the "LEC Completing Carrier" in the following call scenarios:

- Local Toll and Local Operated assisted calls with the Info Digits (7, 27, and 70) completed by Embarq ("0" indicator).

All assertions for Embarq are from the point Embarq has visibility to the call tracking data.

Embarq utilizes an in house program for payphone compensation settlement. Embarq has procedures in place to verify that controls and procedures relating to these assertions have been established and maintained. An independent accounting firm has performed an independent assessment of the effectiveness of such controls.

Embarq represents the following assertions where it is identified as the LEC Completing Carrier:

FCC Compliance Factor (1) – Embarq (“Completing Carrier”) procedures accurately track calls to completion.

- The Embarq definition of a "per-call rate" of \$.494 is in compliance with FCC rules that became effective on September 27, 2004. The "per-call rate" prior to this date was \$.24.
- The Embarq definition of a "Compensable Call" (payphone-originated call that completes over Embarq network in which Embarq identifies itself as the Completing Carrier) is in compliance with the FCC rules.
- The Embarq definition of a "Completed Call" (call that is answered by the called party) is in compliance with the FCC rules.
- The Embarq system is able to generate the following reports on a quarterly basis:
 - a) A list of the toll free and access numbers dialed and completed from each Payphone Service Provider's (PSP's) payphones along with the ANI for each payphone.
 - b) The volume of calls for each toll free and access number that was completed by Embarq.
 - c) The name(s), address(es), and phone number(s) of the person(s) responsible for handling Embarq payphone compensation.
- Embarq data storage requirement (27 months) is in compliance with FCC rules.

FCC Compliance Factor (2) – Embarq (“Completing Carrier”) has a person or persons responsible for tracking, compensating, and resolving disputes concerning payphone-completed calls.

- Embarq has designated personnel responsible for drafting the business requirements associated with tracking, compensating, and resolving disputes concerning payphone-compensated calls.
- Embarq has designated personnel responsible for the development and maintenance of systems used in the collection and reporting of payphone call data.
- Embarq has designated personnel responsible for the implementation and maintenance of procedures that are utilized in creating final compensation data sets.
- Embarq has designated personnel who are responsible for developing compensation-tracking reports.
- Embarq has designated personnel who are responsible for payphone compensation dispute resolution.

FCC Compliance Factor (3) - Embarq (“Completing Carrier”) has effective data monitoring procedures.

- Embarq has the ability to prepare quarterly reports on payphone call counts.
- Embarq performs data monitoring procedures on call record volumes entering the payphone compensation systems.
- Embarq has the ability to produce trend reports of excluded calls.
- Embarq works with its IT department, for fraud-monitoring procedures and processes to identify potentially illegitimate payphone calls.
- Embarq has the ability to resolve any PSP disputes and assist in any of the identification processes.

FCC Compliance Factor (4) - Embarq ("Completing Carrier") adheres to established protocols to ensure that any software, personnel, or any other network changes do not adversely affect its payphone call tracking ability.

- Embarq has security controls in place to control access to and monitor call-tracking data.
- Embarq has a department that is responsible for making software changes that affect payphone compensation.
- Embarq has established protocols to implement and test software changes affecting payphone compensation.
- Embarq has application controls in place to ensure that network changes, external to payphone compensation, do not negatively impact payphone compensation.

FCC Compliance Factor (5) – Embarq ("Completing Carrier") creates a compensable payphone call file by using internal customer information matched to toll free records. This file contains all payphone traffic with payphone identifiers.

- Embarq utilizes switch data and database look-ups to populate the date, originating ANI, dialed number, and aggregate data into a Compensable Call File.
- Embarq uses payphone specific identifiers (info digits) to identify a compensable payphone call record.
- Embarq applies validation and control procedures to compile the Compensable Call File.

FCC Compliance Factor (6) – Embarq ("Completing Carrier") has procedures to incorporate call data into required reports and making payment to PSPs.

- Embarq systems are able to generate a quarterly file from their raw switch records that contains completed pay phone calls. This data is formatted based on internal requirements and passed over for producing all necessary reports and making payments to PSP's.

FCC Compliance Factor (7) - Embarq ("Completing Carrier") has implemented procedures and controls needed to resolve payphone compensation disputes.

- Embarq maintain required call tracking data for at least 27 months.
- Embarq has the ability to investigate and resolve PSP disputes.
- Embarq has designated personnel who are responsible for payphone compensation dispute resolution.

FCC Compliance Factor (8) – Critical controls and procedures have been tested by Embarq ("Completing Carrier") to verify that errors are insubstantial.

- Embarq has procedures to identify payphone-terminated calls, and has tested the effectiveness of these procedures to management satisfaction.
- Embarq has procedures to capture dial-around calls and has tested the effectiveness of these procedures to management satisfaction.
- Embarq has procedures to accurately populate call record data in the Compensable Call File for processing and payment to the PSP's and has tested the effectiveness of these procedures to management satisfaction.

FCC Compliance Factor (9) – Embarq ("Completing Carrier") has in place adequate and effective business rules for implementing and paying payphone compensation, including rules used to: (i) identify calls originated from payphones; (ii) identify compensable payphone calls; (iii) identify incomplete or otherwise non-compensable calls; and (iv) determine the identities of the payphone service providers to which Completing carrier owes compensation.

- Embarq has business rules that identify calls originated from payphones.
- Embarq has business rules that identify compensable payphone calls.
- Embarq has business rules that exclude incomplete calls.
- Embarq maintains a customer list of payphone owners to maintain and determine the identities of the payphone service providers for which Embarq owes compensation as a completing carrier.

Embarq – Required Disclosures per 64.1320(d)

- Embarq has criteria for identifying calls originating from payphones which include a call record info-digit identification of 7, 27, or 70.
- Embarq has criteria for identifying compensable payphone calls include all calls with info-digits 7, 27 or 70 and call duration greater than 0. Calls originating from payphones where Embarq has a separate compensation agreement in place are excluded from the Compensable Call File.
- Embarq has criteria for identifying incomplete or otherwise noncompensable calls which include: a) calls that do not have info-digits 7, 27, or 70, b) calls with duration of 0 or c) calls that originate from payphones where Embarq has a separate compensation agreement in place.
- Embarq has criteria that is used to determine the identity of the PSPs to which Embarq owes compensation is established by Embarq customer master.

Dated: June 30, 2008



William Cheek
President Wholesale Markets
Embarq